

SOVIET DISCIPLINE REGIMENTS EAST GERMAN WORKERS

March 1959

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As in all countries under Communist domination, the worker in East Germany has become a mere entity in the industrial production plan of the state. His wishes and political inclinations are completely disregarded as working conditions there evolve more and more according to the Soviet pattern. His sad lot became official by the decree of April 9, 1947, when the Soviet military administration made the individual worker responsible for attaining the goals set in the productivity drive.

Compulsion to work has been introduced for men and women between the ages of 15 and 60. The strictest discipline is maintained and Order No. 323 of November 20, 1946 provided for various punitive measures including reprimand, withdrawal of extra rations, cuts in vacations equal to the number of days absent from work without official justification and even criminal prosecution under the heading of acts of sabotage and diversion.

The grip of the government on the worker was "legalized" by the Constitution of the German Democratic Republic (DDR). Article 31 of that document discusses governmental economic planning and states explicitly that manpower falls within its regulations and is consequently treated as any other element in the production process.

The instrument for this subjugation of the worker is the so-called Free German Trade Union Federation (Freier Deutscher Gewerkschaftsbund - FDGB). This association was developed as early as July 1945, formed by a number of unions which were organized on an industry basis, covering manual and non-manual employees. The FDGB is strictly centralized and all officials are appointed by the Central Council (Bundesvorstand).

The Federation, however, is a misnomer and far from representing the worker, it is nothing but an instrument for political control. With its help, the works councils were abolished in 1948 after elections had shown the growing disinclination of the German worker to vote for Communist representatives.

### Political Oppression

The Hitler period trained the German workers along the lines of regimentation, exploitation and spying on each other, but the present working conditions in East Germany, with their terror and quota system, go far beyond the preceding totalitarian system. Control of wages, accompanied by the shortage of goods, has reduced the living standards of the average worker. Reliable reports have estimated that the buying power of the workers in the DDR has been reduced to less than 60 percent of prewar days.

The feeling of political oppression and economic exploitation is further aggravated by the workers' awareness that their living standards have deteriorated. The Soviet authorities and their German puppet agencies have so far, in spite of all their promises, done virtually nothing for the civilian population's supply of consumer goods. In the DDR roughly one-third of the industries produce goods for the general consumer, while the corresponding figure for Western Germany is above 60 percent.

The plight of the workers under Communist regimes is a well-established fact. The German worker, who was frequently accustomed to higher living standards and possessed greater skills than his counterpart in some of the captive countries, was deprived of more and reduced to relatively less. The worker in the Soviet Zone of Germany expressed his bitterness against working conditions in the revolt of June 17, 1953.

### Denial of Rights

This spontaneous uprising was put down with great ruthlessness by the Communist regime. Thousands were arrested and summarily tried and, according to West German labor sources, many hundreds are still in prison today.

Although Article 14 of the labor Federation's by-laws actually says that the right to strike is recognized, it has in practice no meaning at all in view of the fact that the worker is required to respect the fulfillment of the work plan. Any gesture on his part against such fulfillment, such as a strike, is labeled "sabotage," and punished accordingly.

Despite all the propaganda, the worker in the DDR has nothing to say about the way his plant is run. This was clearly shown by the April 1950 Labor Law. It said: "The right of co-determination of the workers and employees regarding the management of the economy will be exercised by the organs of the State."

In this connection, there is recent evidence from East German press sources indicating that political work and worker morale, particularly in the brown coal and construction industries, have been poor. Hypocritically taking the worker's side, the press pretends to place the blame for poor production and morale on officials, particularly the "arrogant attitude" of managers who do not consult the workers. Other indications of poor worker morale are to be found in reports in the East German press complaining about the high number of hours lost as a result of sickness and accidents.

#### The Woman Worker

Article 7 of the Constitution of the DDR established equal rights of women. It means equal status for both sexes as an object of oppression and exploitation, but even this statement is not entirely correct because the fate of women in the DDR is in fact far worse than that of the men.

The Labor Law of April 19, 1950, cancels all existing legal restrictions for the employment of women and requires all agencies, federal as well as state, to create working opportunities for them. In actual operation it amounts to a requirement for women to work.

The Five Year Plan converted this "right" into an obligation and has forced women to accept occupations that used to be reserved for men, as for instance, mining. All legal restrictions such as night work or employment in heavy industries were canceled as being "contradictory to the equal rights of women." A law "for the protection of mother and child and for women's rights" (October 1, 1950) makes clear that "marriage must not interfere with professional education and occupational performances of a woman...even if it causes a temporary separation from her husband."

#### The FDGB

The workers in the East German zone, as already mentioned, are grouped under an organization with the appealing name of Free German Labor Union (FDGB), although it does nothing to defend their rights in the manner of western labor unions. The workers are completely organized, whether they like it or not. The Party, the government and industrial management all cooperate to make union membership virtually a prerequisite of employment.

There is an industrial union for each branch of industry such as metals, chemicals and transportation. These in turn are

organized and form the FDGB. The individual unions are named and organized in a manner to suggest a continuity with the old Social Democratic labor organization tradition. For this reason the pattern of FDGB organization closely parallels the industrial union organization of the West German Federation of Labor. This superficial similarity was intentional and has been used as a propaganda weapon for the massive penetration and subversion of West German labor.

FDGB officials support almost all strike actions in West Germany. But in their own zone the workers are forbidden to strike and the organization of a strike is legally a crime. The FDGB officials not only accept the proposition that it is illogical for workers to strike against the Worker's State, but they take stern action to prevent strikes from occurring and cooperate with the other state authorities in punitive action in the event a strike is threatened. The height of paradox is achieved in the matter of wages and hours of work. The official argument apparently is that since lower costs and higher productivity benefit the Worker's State, then lower wages and longer hours must benefit the worker.

In 1955, the FDGB held a congress at which it decided to recognize the policies of the East German Communist Party as the party of the German working classes. Under the leadership of the Party, the Federation is to work for the realization of socialism in East Germany. Another resolution that was adopted stipulated that all members of the Federation should obey the dictates of the Party.

The Federation, it was stated at that time, stands for the strengthening of the DDR "as a base for the fight for a united, democratic and peace-loving Germany and for the reinforcement of the worker's confidence in the State." The statement added that "every member of the Federation is required to defend the DDR and its accomplishments. It is the duty of every member to use all his strength for the realization of the economic plan." In plain language this means that every worker is solely an instrument to be used to consolidate the power of the Communist Party.

As in the USSR, the labor to be performed in different occupational groupings has been broken down into eight wage groups. The wage group rates were not established through collective bargaining, but through government decree without the right of co-determination by the trade unions. The rating of workers by management was frequently done, not from a labor point of view, but from that of SED Party politics.

The different varieties of the efficiency wage are intended to offer the most effective incentives for a maximum exertion of the worker's physical and intellectual strength. For this purpose the piece wage is the most suitable and is therefore applied in the majority of cases. The basis for piece wages in the DDR are the technical labor norms. These norms are established on the basis of the output of the most outstanding workers, working with the best machines under the best of conditions. However, these norms become binding for all workers. The main means of increasing output are contained in the collective contract. In this contract, the workers and employees undertake to fulfill concrete obligations and in the event of non-fulfillment, measures can be taken against the worker.

Among the coercive and punitive measures now being applied, the following deserve special mention: the registration and channeling of manpower, the binding of the worker to his place of work, the potential punishment for violations of labor discipline, the increased authority of foremen and managers and the establishment of commissions for labor and wages, charged with inspecting the workers and with urging them to fulfill the labor plans.

#### Work Brigades

The creation of so-called "Brigades of Socialist Work" was announced at the Fourth Plenum of the SED Central Committee in January 1959. On the basis of early press descriptions, this program appears to be a renewed attempt, couched in more expansive terms, to deal with the long-standing problems of increasing labor productivity, lowering production costs and improving work morale through an attempt to harmonize "material self-interest" and "socialist responsibilities." The movement has thus far consisted in a number of factory youth brigades competing for the title "Brigade of Socialist Work" by pledging themselves to the usual goals of increasing production. However, the new features of the competition include pledges involving brigade activity in other fields such as the educational, military, cultural and political. These innovations appear to have arisen as an attempt to cope with the entire question of worker motivation which has apparently not improved to the regime's satisfaction through the methods employed up to now.

Although there are no laws existing that actually sanction the enslavement of labor, the existing regulations are such that they are quite adequate to make sure that the worker observes the requirements for the fulfillment of the work quota and the regulations concerning his work. One such broad regulation stipulates that juridical proceedings will be taken against anybody who "knowingly perpetrates an infringement of labor discipline or who pretends to be sick."

The power of plant directors and of foremen has been reinforced in order to make sure that discipline is maintained and performance improved. Directors and foremen are fully responsible for their fields of operation and to help them they have been given broad powers. They can, of course, try to improve production through the use of bonuses, but at the same time they are empowered to take disciplinary action where they deem it necessary. Thus, according to the regulations, the chief of a section decides the employment and the firing of the worker. He has the right to promote those he thinks are working satisfactorily and to punish those who do not.

#### Stakhanov Pressure

The incessant demands for more work for the same amount of money are not only a source of irritation to the workers, but also to management which finds itself charged with the responsibility for achieving supplementary production. As the West German labor organ Freies Wort has remarked, "this insane system can hardly be called a worker paradise and makes life impossible. The only result is that it kills any incentive to work and even kills the joy of living."

The East Zone regime has attempted to spur production through the introduction of a number of Stakhanov-type competitions. The first Stakhanov in the East Zone was a coal miner named Adolf Hennecke who, in 1948, produced 380 percent above the norm on a single occasion. As a result, his admiring fellow workers smashed all the windows in his house and ostracized him, while the regime rewarded him with a soft job in a ministry.

There has also been a "100,000 Kilometer Movement," to which truck drivers may belong who have covered that distance without requiring a major overhaul of their vehicles.

Then there is the Nina Nasarowa Movement. This movement is named after a Russian textile worker who promised to keep her machine in working order on her own time. As a result of this, the East German regime instituted the movement in their zone. It means that workers now have to be at their post 15 minutes before shift time to clean their machines.

There have been any number of similar movements in East Germany. One of the most fascinating, at least from a Western point of view, is the "50-Watt Bulb Movement." Those who belong to this movement undertake not to burn at one time any more than a single 5-watt bulb in their homes in order to conserve power.

There is also the "3,000-Liter Movement," according to which each cow is supposed to be induced, so far as is possible, to produce 3,000 liters of milk a year.

However, these weird aids to stimulate production have not been too successful and SED leader Walter Ulbricht had to admit that 59 percent of plants in East Berlin are working at a loss, while the deficit for all plants throughout the Eastern Zone is 25 percent.

#### Poor Planning Irks Workers

In East Germany, as in Russia, the Communist government has tried to "plan" everything and control the output of every single plant. Every minor decision has to be made in East Berlin. This scourge of bureaucracy is a constant topic for complaint throughout East Germany. Workers prefer to work in small plants still under private direction, rather than in the big socialized plants, because private enterprises are more efficient and human relations better. The Communist leaders recognized this attitude in their "reforms" which followed the 1953 uprising. For a while, private business was given some leeway. Private firms up to medium size have been permitted to continue in some fields. But the squeeze is being put back on private enterprise this year through stiffer taxes and a forced draft of privately employed workers.

East Germans also are irked because most of the goods they manufacture are exported to the East and the German workers see no equivalent in return. New railroad cars are an example. Many are built in East Germany, but none has been put into service on the railroads there. Details of East Germany's foreign trade are withheld from the public. The East Germans know, however, that much of their output goes to Russia and the Satellites.

Workers resent the constant increasing of production quotas which amount to repeated wage cuts. Real wages in East Germany now are calculated to average only about 60 percent of those in West Germany.

#### The Farmer

It is much more difficult to organize farm populations than urban groups and it is harder to enforce the delivery of farm goods than industrial products. The first step taken by the Soviet authorities in the DDR was a land reform that was supposed to win friends by giving land to those who were without property. About 20 percent of productive land was taken



away from some 11,000 landowners and 210,000 new ownerships, mainly from the ranks of laborers and refugees, were created. During this process a complete dependency of the farmer was established. Machinery had to be loaned from fixed centers, financing and sale were taken over by combines, and cooperatives were absorbed by the state. The allegedly voluntary pooling in varying degrees of land, animals and equipment in the form of cooperatives was ruthlessly enforced with the obvious objective of introducing a total collectivization of agricultural production.

The obligatory delivery quotas, particularly for the larger farms, were intentionally fixed beyond the potential of the farms and could not be met. Eventually, the choice for the peasant was arrest for sabotaging the Five Year Plan or escape to the West.

Terror was used against the peasants by brigades of Communist workers, who were sent out to the country searching and arresting, "legalizing" their criminal behavior by bringing with them "special mobile courts" for the trial on the spot of farmers for non-fulfillment of delivery quotas.

These efforts by the DDR regime failed, however, as proved by its appeal in June 1953 to the farmers who had escaped to the West, to return, repossess their property and "live in peace." As experience in the Soviet Union and in the Satellites has shown, it is hard to convert farmers to Communism. So far, the Communists have broken the estates, but not the farmer in the Eastern zone.

### The Great Exodus

As a result of the Communist pressures on the population, there has been a huge exodus of people from the Eastern zone over the years. More than 1,000 doctors have fled East Germany this year compared with 296 last year. Authorities in West Germany estimate that there is now one doctor for every 1,700 population in the East against one for 750 in West Germany. Polish and Czech doctors have been called in to help staff East German hospitals and some institutions have had to close their research departments for lack of personnel.

Nor are doctors the only group in the new flow of refugees who have been streaming towards the West. The number of school teachers, students and other intellectuals has increased by similar proportions. More than twice as many university professors fled in the first nine months of 1958 than in all 1957. Grade school teachers, dentists, veterinarians, students and engineers have brought the number of professional people among the refugees

to double what it was a year ago. There were 21,107 in September, an average of 703 people every day. This is not a record. There was a period in 1953 when 2,000 left their homes and moved West each day. West German officials estimate that 3,000,000 East Germans have joined their population since the Bonn government was set up in 1949.

In the early days there was a preponderance of peasants and businessmen, but now there are more intellectuals. Both the East German and West German Governments have become increasingly distressed, although not entirely for the same reasons. Aside from the political and prestige loss, East Germany now faces a serious threat to its economic plans for lack of skilled manpower. When Khrushchev visited East Germany last July, he lectured at length on the need to pay their intellectuals well and to treat them nicely even if they did not accept Communism. "Leave political convictions out of the picture," he urged.

The greatest impetus to the flight of intellectuals seems to have been the program approved by the last congress of the East German Communist Party. It laid down plans for what the West Germans call "Sovietization" and sought to put down unrest among youth and intellectuals with new stern measures. Several retreats have been made from this program in a belated effort to slow down the new flood of refugees it loosed. A rule forbidding the children of professional people admission to universities was canceled; doctors were promised they would once again be allowed to visit West Germany.

### Red Threats

Communist authorities try to halt the westward flights by threats and restrictive measures. Any East German resident must apply to the police for a permit to travel, particularly to the West Zone. Travel abroad is restricted mainly to official propaganda delegations which can be watched.

Even East German scientists who want to attend scientific meetings outside East Germany must first attend trials of men who have tried to obtain jobs in another country. Trying to get work abroad is a "crime" punishable by sentences up to life imprisonment.

Police terrorism is an old story to East Germans. Police are everywhere. They check travelers in trains and railroad stations. They check workers at the factory gates. They inspect hotels and

dance halls and each apartment house has its Communist warden who informs police of all suspicious activities.

Another element of discontent among workers in the East Zone is the pressure used to prevent any contact with friends and relatives who live in the Western areas. The West Berlin publication Freies Wort, which is dedicated to labor affairs, has summed this up in the following words:

"The uncertainty of one's personal life is unfortunately one of those things which cannot be explained to those who live in West Germany.....a worker can go on doing his duty for years and when a little thing happens such as a trip to West Germany, the person in question is hurled into the depths and even membership in the Party is not always enough to rescue him. The staff is broken across his back and he sees himself branded in the local press."

The frantic efforts the East German regime makes to hinder the movement of people between East and West Germany are all the more unpopular inasmuch as they are a flagrant denial of the terms of the so-called Constitution. Paragraph 8 of that document says that "personal freedom, the inviolability of the domicile, the secrecy of postal communications and the right to live in any place, are guaranteed."

The truth is that in the East Zone nothing is guaranteed and as in all Communist regimes there is no question of personal liberty. Furthermore, Article 10 states that any citizen may leave East Germany if he desires. This hardly concords with the thousands of special police who patrol the border between the two Germanies or with the hundreds of frontier watch towers and their machine guns or with the hundreds of miles of electrified barbed wire which keeps those of the Eastern zone separated from their brothers in the West.

LOW STANDARD OF LIVING IN EAST GERMANY

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### LOW STANDARD OF LIVING IN EAST GERMANY

The unpopularity of the East German Communist regime is basic and can be ascribed in large measure to the fact that a population which once enjoyed one of the highest standards of living in Europe is today forced to accept a sub-standard subsistence level.

Soviet insistence that the satellite nations concentrate all their energy on the production of capital goods, as opposed to a system in which there is a normal balance between that and the production of consumer goods, has led to a situation in East Germany, similar to that of the other captive nations, in which items of everyday use have become virtual luxury goods.

The resultant hardship for the population is all the greater since there are no labor unions to fight for higher wages for the workers, and use of the strike weapon by which a people could demonstrate dissatisfaction with living conditions would be considered a crime against the State.

The level of availability of consumer goods in 1950 was so low that the government was obliged to sanction an increase. However, this was still insufficient and in 1953 the uprising brought about the so-called New Course in which the government promised to reduce the rate of investment in heavy industry and to increase the production and distribution of consumer goods.

To a certain extent this was done, but the speed of the investment program resulted in a considerable waste of resources and a slow-down was necessary to capitalize on the investments already made. It became evident in 1955 that the East German standard of living was below that of 1939 and certainly one-third below that enjoyed by West Germany.

#### Wages and Prices

Until the middle of 1958, rationing was the main instrument whereby the distribution of scarce consumer goods was controlled. Although the amount of consumer goods had increased to a certain extent when the end of rationing came, the supply was still so short that new controls had to be introduced in the form of wage ceilings and price manipulations.

In 1956, real wages in East Germany were calculated to be about 60 percent of the value of the pay received by West German workers. This brought the living standard of East Germany to the level it had in 1936 when the country was in the

grip of the Nazis.

Take-home benefits were increased in 1958 although there was no increase in wages. This was done through a system of bonuses in different guises. It had the advantage for the State that a bonus can always be eliminated whereas it is extremely difficult to get a worker to agree to a basic wage cut once there has been an increase. During the same period the basic wage increase in West Germany was 7 percent.

Even though there has been an improvement in the East German situation in recent months, nevertheless by 1959 it was estimated that workers and employees there were 20-25 percent behind the standard in West Germany. One calculation placed the average hourly wage of the East German worker at 1.68 DM and that of the West German at 2.60 DM. Another estimated the average monthly income for East German workers at \$84 a month, with skilled workers able to make as much as \$180. But wage earners in consumer industries were paid less than those in other industries and early in 1959 the government issued a new wage policy in accordance with which many jobs were downgraded on the wage scale. This new wage policy also tied wages to productivity which is one of the high pressure methods employed to increase production.

West Germany achieved a very high standard of living and a booming economy well before East Germany could afford to end its rationing of essentials.

The economic imbalance brought about by the Communist production system has meant that the East Germans are largely dependent on imports for their consumer goods which are frequently of shoddy quality and in short supply.

Food in East Germany is expensive and it was estimated that in 1957 the individual had to spend about 55 percent of his earnings to eat. With de-rationing this was expected to increase even higher, and this turned out to be the case in mid-1958 when rising prices took the place of rationing. For instance, steaks which had sold at 2½ DM each under rationing were now selling at 6 DM, while milk rose from 40 pfennigs to 80 pfennigs a quart.

By 1959, with East German standards said to be less than four-fifths those of West Germany, the prices of many basic foods were reduced, although coffee was selling for \$8 a pound and a small bar of chocolate was retailing at 80 cents. A cheap suit of synthetic fiber cost about a month's wages in East Germany while on the other side of the border it could be purchased for less than half that amount. At the same time,

the supply of shoddy goods was uneven and ordinary items such as pins, parts for household equipment, etc., were largely unobtainable.

Considerable discontent was aroused in the Zone as a result of the 1959 Leipzig trade fair because of the huge amounts of consumer goods sent into the area as part of the Communist propaganda campaign designed to extol the desirableness of the workers' "paradise." One inhabitant of Dresden said that there was no butter to be had in that city because it had all been sent to Leipzig.

#### East German Economic Orientation

The economic plight in which East Germany finds itself is the result of two main causes. One is Russian exploitation, and the other is the policy stressing the production of capital goods.

In the years immediately following the war the East German economy was strained to the utmost to pay war reparations to the USSR. Not only was the percentage of the gross national product taken by the Soviets excessive--it was estimated at 25 percent through 1953--but the categories of goods exacted as reparations were prescribed by the USSR, thereby adding to the production imbalance of the area. In addition to this, the Russians dismantled and took to Russia a large number of plants which were needed to maintain a balanced economy. East Germany met Soviet demands by reducing its own consumption and by straining to shift the emphasis to new industries to fit into the prescribed production pattern of the Communist Bloc.

Before the war, East Germany, a fertile agricultural area, had an exportable surplus of grains, potatoes and sugar beets. By 1956 most of its food was being imported while industrial output had increased over the prewar figure. The production of consumer goods and light industry--processing and finishing industries--had characterized the area's industry before the war. By 1955, some 73 percent of East Germany's exports were going to the Soviet Bloc and they were mainly in the heavy industry category.

The planned economy of the Communist system has a strong autarkic bias in an attempt to be self-sufficient. East Germany is trying to develop its own balanced economy by producing those things which it formerly obtained from the western part of the Reich. However, there is a definite contradiction for the time being at least inasmuch as East Germany, instead of creating a balanced economy, has sacrificed its production of agricultural and other consumer goods to the point where it must import most of its food from the Bloc. What has been

achieved, therefore, is an autarkic condition within the Bloc rather than within East Germany itself.

Meanwhile, the emphasis in East Germany is on big projects. Even with a sizable annual deficit--in 1958 the USSR supported the East German economy with loans and credits totaling 700 million rubles--East Germany has embarked on the building of a port for ocean-going vessels at Rostock, despite the fact engineers have said this is impossible owing to the topography. Seven hundred million marks are to be spent on the harbor plus another 500 million on a connecting canal and railroad lines.

#### Availability of Consumer Goods

When the war ended, West Germany soon outstripped the Eastern zone in recovery. Not only did West Germany rebuild more quickly, but it maintained a healthy living standard, while the East Germans were at a level which was barely sufficient to sustain life. The East German economic plans for 1956-1960 and 1961-1965 continue to emphasize investment, capital goods and heavy industry, to the detriment of consumer goods which will continue to be in short supply.

Agricultural production has been characterized for many years by insufficient investment, inadequate use of fertilizers and worn-out machinery. In 1956, for example, 100 out of 275 harvesting machines in the Halle area were out of commission for lack of essential replacement parts. In 1955, the plants had switched to the production of the "Stalin" type tractor which was unusable in the hilly country of East Germany and had to be sent back to Russia. As a result, in 1956, agricultural output was no higher than it had been in 1950 and was still below the figure for 1936. Industrial production, however, was 80 percent above that of 1936.

The people of East Germany are dependent on imports for a large portion of their consumer goods and in 1956 food constituted 40 percent of their total imports, although the Germans did not have to import food products before World War II. In 1957, they had to import 50 percent of their grain. The import of basic food products has increased in the following amounts between 1950 and 1958: meat, two times; butter, more than two times; animal fats, five times; vegetable oil, ten times and grains, four times.

The economic targets in the 1961-1965 plan show that there will be a continued concentration on exports to the Soviet Union. East Germany is the chief exporter of heavy industrial products to Russia, providing some 20 percent of all her imports in this category while Russian deliveries make up 50 percent of all East German imports.



In early 1959, the East German regime said that the building of the basic industrial plant "is to continue to have priority over the manufacture of consumer goods." Supplies of consumer foods are to rise by 1960, but only if production standards are met in all other branches of the economy. The statement was followed with the admonition that the standard of living would be improved only if the citizens worked harder.

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EAST GERMAN FOREIGN TRADE: POLITICAL, NOT ECONOMIC

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EAST GERMAN FOREIGN TRADE: POLITICAL, NOT ECONOMIC

The East German trade agent abroad is a member of the East German governmental apparatus, regardless of how he represents himself. He may represent a particular factory, enterprise or industry, the German Democratic Republic (GDR) Chamber of Foreign Trade, or an ostensible commercial company such as the Deutsche Ein und Ausfuhr GmbH (German Import and Export Co.), but as a member of the GDR governmental apparatus, he lacks the flexibility in bargaining possessed by sales and purchasing agents from non-Communist countries. He is also a political agent seeking to advance a political objective, for every trade transaction with a non-Communist country is calculated primarily to achieve a political advantage and is viewed only secondarily in economic terms.

The GDR conducts the greater part of its trade--over 70 percent--with the Bloc; and its economy, including the foreign trade sector, serves first the needs of the USSR and the Bloc and only secondarily the needs and interests of East Germany. The GDR is subject to orders from the Soviet Union and CEMA (Council for Economic Mutual Aid) as to what it shall produce, where it must buy its imports, and where it shall be permitted to sell its exports. As a result, in many cases it sells its products to the USSR and the Bloc at less than world market prices and buys from them import goods at prices above those the West would charge for the same items.

Although recognized diplomatically only by the member states of the Sino-Soviet Bloc, the GDR carries on trade relations with 130 different countries and territories. However, because of its subordination to Soviet-Bloc needs, GDR trade agents, in their dealings with non-Communist countries, are not free to offer the whole gamut of GDR production or to bid for all local products which might meet GDR import needs. Soviet and Bloc import-export needs must be satisfied first. The only exceptions are those authorized by the Soviets to advance Communist penetration of a particular country.

Another drawback which non-Communist countries face in trading with the GDR is that the latter's products are frequently sub-standard. As a result of worker apathy, shortage of trained workers due to flights to the West, and use of inferior materials, GDR products do not always reflect the traditional German efficiency and craftsmanship which still characterize West German manufactures.

### Administrative Mechanisms

From the founding of the GDR in 1949 until 1951, GDR foreign trade was controlled by an organization called Deutsche Aussenhandel (German Foreign Trade - DAHA). In September 1951, however, control of foreign as well as of domestic trade passed to the newly created Deutscher Innen- und Aussenhandel (German Domestic and Foreign Trade - DIA), a section of the Ministerium fuer Aussenhandel und Inner-deutschen Handel (Ministry for Foreign and Intra-German Trade - MIA).

The DIA, which has the responsibility of executing over-all planning in foreign trade, operates through special subdivisions for the various groups of industries. Since the 1958 decentralization of the GDR governmental economic apparatus, the MIA has also had branch offices in all bezirk (administrative districts analogous to provinces) capitals. These offices maintain contact with bezirk-controlled enterprises and industries and provide them with advice, guidance and support in problems concerned with foreign trade. However, all foreign trade decisions, policy or otherwise, are made by DIA or the all-powerful Party organs.

In the GDR, economic activity is based on planning and scheduling, for which the main responsibility lies with the State Planning Commission. In the field of foreign trade, however, the Commission's authority is somewhat curtailed by the necessity of having to give priority to CEMA directives and also by the Coordination and Control Office for Domestic and Foreign Trade. Created in late 1952, the Control Office has the right in certain cases to give orders to the Planning Commission.

The indistinct lines between Party and governmental authority and the priority of political over economic interests, however, continue to create jurisdictional problems. In late 1958, for example, DIA was forced to pay for 50,000 cubic meters of unwanted lumber imported from the Soviet Union because Bruno Leuschner, chairman of the Planning Commission, had negotiated a contract for its purchase in Moscow in June 1958, despite the fact that the GDR already possessed large stockpiles of lumber.

The MIA and DIA also lack control over trade carried on by the Deutsche Ein- und Ausfuhr GmbH. This is a Party-controlled organization which conducts illegal trade with West Germany and other European countries, particularly in connection with the importation of steel and scarce non-ferrous metals.

### Subordination to Bloc Interests

In general the GDR economy, including the foreign trade sector, is operated not for the benefit of East Germany and its inhabitants but for the interests of the Bloc in general and those of the Soviet Union in particular. That is to say, the GDR produces for export those products which the USSR, acting through CEMA, orders it to produce.

This subordination to Soviet and Bloc needs was acknowledged officially in the First East German Five Year Plan, which states:

Our foreign trade must be intensified, particularly with the Soviet Union, the Popular Democracies, and Popular China....By means of long-term trade treaties it is necessary to assure a production which corresponds to the desires of our partners....

A similar statement is included in the Second Five Year Plan.

In the future, the economy is to be linked even closer to that of the rest of the Bloc. An SED convention in July 1958 was told that CEMA had decided the GDR should become the center of the Bloc's chemical industry and that the Third Five Year Plan (1961-65) would therefore have as its major goal the development of that industry.

The extent to which the GDR's foreign trade is already linked to Bloc needs is reflected by the fact that, in 1957, the GDR conducted 73 percent of all its trade with Sino-Soviet Bloc members. It was the USSR's most important trading partner, supplying one-fifth of all Soviet imports, while the GDR obtained more than one-half of its imports from the Soviet Union.

### Effect of Integration on Trading Patterns

This subordination of the GDR economy to Soviet and Bloc needs is not without significance for East Germany's present and possibly future non-Communist trading partners. When MIA-DIA bureaucrats abroad approach a foreign country about the possibility of trade, they are not free to offer the whole gamut of GDR production or to bid for all local products which might conform to GDR import needs. GDR production must first of all satisfy Soviet and Bloc demands; only what is left can be offered for sale elsewhere. Similarly, GDR import needs must first be met from goods available for export in the Soviet

Union and other Bloc countries. Only those requirements not met by these sources may freely be bargained for in the non-Communist world. There are, of course, exceptions to the above, but the pattern is always a factor in GDR trade.

The situation also provides an illustration of the extent to which economic requirements are outweighed by political exigencies. In 1955, the GDR had to pay more than world market prices for 15 of 21 Soviet export items for which statistics are available, so that total GDR imports from the USSR cost 25 percent more than they should have. In 1956, its bill to the USSR was 16 percent more as a result of overcharges for 18 out of 29 commodities and 11 percent more in 1957 due to excessive prices for 14 out of 20 items. Among the principal overpriced products were wheat, cotton fibers, butter, vegetable oils, crude oil and zinc.

In the case of cotton, the Soviets were exploiting not only East Germany but also Egypt. Since 1955, the Soviets have taken a large part of the Egyptian cotton crop as payment for arms and other credits extended to that country. But since the USSR already produces enough cotton for its own use, it resells most of this Egyptian cotton. The GDR (and also the other satellites) buys it at prices higher than if it dealt directly with Egypt, while the latter is deprived of a market for its remaining cotton. When GDR trade agents deal with Egyptians, therefore, cotton does not figure as prominently in their bargainings as it otherwise would.

In similar fashion, the GDR must frequently sell its goods to the USSR at prices below the regular market price. In 1955, for example, the Soviets underpaid for 10 out of 18 products for which statistics are available, for 14 out of 23 in 1956, and 13 out of 19 in 1957. Had the satellites sold these same items elsewhere, they would have realized 23 percent more in 1955, 20 percent more in 1956, and 21 percent more in 1957.

#### Trade With Non-Communist World

Exceptions to this pattern of enforced intra-Bloc trading occur when the USSR, for political reasons, decides that a satellite should be free to buy certain import needs from, or sell certain of its manufactures to, a non-Communist country. Thus, for example, under the 17 November 1958 trade agreement signed with the Republic of Guinea--the first international agreement concluded by that newly independent country--the GDR undertook to purchase coffee, bananas, oilseeds and other agricultural products from Guinea in exchange for complete industrial plants, textiles, chemical products and various consumer goods. Carl Eckloff, GDR Deputy Trade Minister who negotiated the pact, later publicly boasted of its political significance.

Eckloff's attitude should not be considered unusual since it is axiomatic that every GDR trade deal with a non-Communist country has been carefully weighed as to its political advantages and desirability, while type and quantity of goods involved must accord with over-all planning quotas and specifications. If Communist political objectives or GDR planning goals should change, the GDR trading partner discovers that the GDR declines to make promised purchases and that the promised GDR goods are not forthcoming.

Another hazard facing GDR trading partners is the possibility of finding themselves stuck with poor quality goods or services. The traditional German efficiency and craftsmanship are far from being reflected in full measure by East German products, as a result of worker apathy, shortages of trained workers (the best have fled to the West), and the use of inferior materials.

Indonesia provides an excellent example both of the political aspects of GDR trade and of the inferior quality of GDR products. In recent years the GDR has participated in Communist efforts to secure an economic foothold in Indonesia. Its exports to Indonesia, which totalled only 100,000 rubles in 1953 and one million rubles in 1954, jumped to 26.9 million in 1955 and have continued to increase since that time. GDR imports from that country, non-existent in 1953, were 1.2 million rubles in 1954 and 2.3 million in 1955.

When significant trade began in 1955, one of the first major items to be delivered by the GDR was a complete modern sugar cane mill, costing approximately 40 million rubles. As an inducement to Indonesia, the GDR agreed to provide the installation on long-term credit and to supply the specialists to assemble it. Built near Jogjakarta on the island of Java, the plant--Madu Kismo Sugar Mill--was scheduled for completion in August 1956. Actual completion, however, was delayed almost two years by slow deliveries of GDR machinery, by a lack of spare parts, and by a deterioration of some of the machinery while in storage. Moreover, the Indonesians discovered to their dismay that the final cost was five to six times more than the original estimate.

When the mill finally opened in June 1958, it broke down immediately. Due either to faulty design or installation, or both, the Germans had failed to provide for proper drainage. As a result, 14 generators were flooded, forcing the mill to close. In August Indonesian Agriculture Minister Sadjarwo told the Antara News Agency that he hoped the mill would be able to

EAST GERMANY: A PLANNED ECONOMY

March 1959



## EAST GERMANY: A PLANNED ECONOMY

East Germany is the leading satellite in industrial output and in trade with the Soviet Union. It exports machinery, chemicals, electrical engineering products and heavy industrial installations in return for raw materials and food. A member of the Communist Bloc since 1945, East Germany has a planned economy dominated by the Soviet Union for its own, rather than East German, purposes. Soviet aims in East Germany are to exploit the East German economy, to further Soviet military and political aims, and to integrate East Germany into the Soviet empire.

The East German economy, planned in accordance with the Soviet model, has not succeeded in giving the East German people a standard of living equal to pre-war levels. Emphasis in successive long-range plans has been on industrial production, principally heavy industry, and on collectivization in agriculture. After the period of crippling reparations payments exacted by the USSR at the end of the war, the East German economy made considerable strides in improving industrial production. In 1956 the government claimed to have reached a 90 percent increase over the 1950 level, which, however, was only 85 percent of 1936 production. The current plan (Second Five Year Plan 1956-1960) scheduled a lower rate of industrial increase and that figure has since been revised downward.

It appears probable that the revised goals of the current plan are the result of failures to meet intermediate target figures. Although the production level of the East German worker is high, the economy suffers from a number of negative factors. Over-all plans made and administered by a centralized authority far from the producing units frequently result in unrealistic goals and inefficient use of materials, labor and credit. The labor force has been declining steadily since 1949 because of the exodus of refugees resulting from the unpopularity of the regime and the greater economic opportunity in the West.

In agriculture the policy of collectivization has proved disastrous. East Germany, a fertile agricultural area which before the war exported food, now is required to import it

to feed its population. Agricultural production in 1956 had not increased above the 1950 level and still remained much below the pre-war figure. In spite of coercive measures by the regime, which have driven many farmers to abandon their farms and flee to the West, the socialized sector is still only 46 percent of the total agricultural land.

In view of the decline in the growth rate of the economy, the continuing loss of manpower, and the stagnation in agriculture, it appears unlikely that the Soviet-directed economy will ever catch up with the standard of living in West Germany.

### Economic Structure

The German Democratic Republic (GDR) is the most industrialized of the European satellite states, the chief exporter of heavy industrial products to the USSR and Moscow's most important trading partner. East Germany produces and exports machinery, chemicals, electrical engineering products, and heavy industrial installations and in return buys from the USSR and the satellites raw materials and food.

Since, before the war, East Germany was a highly industrialized area with diversified industries, an industrious and skilled labor force, and a greater proportion of the labor force in industry than in agriculture, it would appear that it was a perfect proving ground for the establishment of a Marxist economy. The Communist takeover in 1945 was followed by the development of a planned economy according to the Soviet model. Industry, transportation, financial institutions, and trade have been wholly or largely taken over by the state. The private sector of the economy has shrunk. In agriculture the aim of complete collectivization has been announced and partially accomplished.

The results, midway through the Second Five Year Plan, are disappointing. The standard of living is still below pre-war levels. In comparison with the free market economy of West Germany, East German living standards are less than four-fifths of those in West Germany, while since 1950 the average income in West Germany has increased one and two-fifths as much as it has in the Soviet zone.

In the Soviet zone the emphasis has been upon heavy industry rather than consumer goods. In industry, production has indeed risen from the extremely low post-war levels. By 1953, however, the East German gross national product (GNP) was still slightly below the 1938 level. As estimated in 1958, the East German GNP has only increased about 10-20 percent in the aggregate, compared to 1936. In agriculture, output in 1956 had not increased above that of 1950, and still remained below the 1936 level. In fact, East Germany, a fertile agricultural region which before the war was an exporter of agricultural produce, is now required to import food in order to feed its population.

### Area and Population

East Germany and East Berlin together contain 41,726 square miles or 23 percent of pre-war Germany. In 1937 Germany had a population of 69.3 million, of which 16.7

million or 24.3 percent lived in what is now East Germany. In the years immediately following the war, large numbers of refugees from the territories east of the Oder and Neisse rivers entered the Soviet zone of occupation raising the population to slightly over 19 million. Since 1949, however, the population of the zone has declined steadily, reaching an estimated 17.6 million in December 1956. The loss is due primarily to the refugees who move to West Berlin or West Germany, and whose numbers exceed the natural increase in the population.

#### Labor Force

The population figures of East Germany are of great significance in the country's economy because the decline has had a damaging effect upon the labor force. The refugee flow, caused both by the unpopularity of the regime and the greater economic opportunity in the West, has siphoned off primarily men in the working-age group. The age and sex distribution, already distorted by the war, has therefore deteriorated further. In 1939 the working-age group (men aged 15-64, women aged 15-59) totalled 67.5 percent of the population; in 1955 the percentage was 63.2 percent but the percentage of men in the labor force had fallen from 50.6 to 45.7 percent.

In comparison with the pre-war situation, the GDR therefore now contains relatively fewer people in the potential labor force compared to the total population. Furthermore the percentage of both young and old is higher than it was before the war and the ratio of men to women is more unfavorable. The effect of these trends upon an economy dedicated to increasing industrialization with emphasis upon heavy industries is of the greatest importance.

#### Pre-War Economy

Prior to the Nazi takeover in 1933, Germany was a highly industrialized country with a free enterprise economic system. East Germany was as industrialized as West Germany, although the Eastern area contained a higher percentage of processing and finishing industries. During the Nazi era, state-controlled combines were established, particularly in the armaments industries. However, these were intended to bolster the war production effort rather than to supersede private ownership or enterprise.

### Soviet Economic Policy in East Germany

Since the end of World War II and the division of Germany into Western and Eastern zones, the economy of the two regions has developed very differently. East Germany, under Soviet occupation since 1945, has been subjected to different occupation policies, different domestic economic policies and integration into a different foreign trade area than has West Germany. The result has been that in the West the traditional free enterprise system has been resumed while in the East a planned economy dictated by the USSR has taken its place.

Soviet economic policy in East Germany has been conducted with the following aims in view: (1) to exploit the East German economy for the benefit of the USSR; (2) to integrate East Germany into the Soviet empire as a satellite state; and (3) to further Soviet military or political aims. In East Germany as in the other satellites, the determining factor of all economic planning is the long-range political advantage of the USSR.

The principal economic authority in each of the satellites is the Planning Commission. To coordinate the work of the various satellite planning commissions, the USSR established a special agency, the "Council for Mutual Economic Assistance." By 1950 all the European satellites were members of the Council. Although theoretically the Second Five Year Plan, which began in 1956, was internationally coordinated, the East German economy in fact is planned to obtain national self-sufficiency. Although the Soviet Bloc planners do not appear successfully to have solved the problems of multilateralism within the Bloc or those arising from foreign trade outside the Bloc, a certain amount of coordination has been accomplished. The satellite foreign trade programs are responsive to over-all Soviet planning and the satellite economies have developed a considerable mutual dependence and a corresponding separation from the West.

### System of State Control

The ruling political authority of East Germany, the (Communist) Socialist Unity Party (Sozialistische Einheitspartei Deutschlands - SED), controls the economy as it does all other aspects of East German national life. The SED, under the leadership of First Secretary Walter Ulbricht,

is one of the most Stalinist Communist Parties in the Bloc and follows Soviet policy closely. In controlling the economy the highest governing body, the East German Council of Ministers, acts through the State Planning Commission, the Central Commission for State Control, and the East German state bank.

The State Planning Commission is responsible for working out the annual and long-range plans for the development and operation of the economy. The Commission also supervises the allocation and distribution of material supplies, organization of sales, utilization of reserves, collection of statistics, and research development. It keeps watch on the fulfillment of the plans while simultaneously the state bank checks the over-all financial plan. The bank also supervises the supply of currency and credit, and collects revenue.

On the local level the plans are coordinated with the administrative district economic councils, the nationally-owned industries, and other economic organs to decide materials, labor, and financial resources needed to attain the plan goals. However, the final decisions are made at the top by the Planning Commission and handed down to the local authorities for implementation. The fact that the plans are made up and administered by a highly centralized authority far from the producing units results in unrealistic goals, inefficient allocations of material and credit, and shortages of certain goods.

The state not only directs the producing end of the economy, it also operates the major part of East German trade, both domestic and foreign. Wholesale trade is completely controlled by the government through the German Trade Centers (Deutsche Handelszentrale) in each major industry. Retail trade is partially controlled by the Trade Organization (Handelsorganization - HO) which has preferential status and a monopoly on higher quality consumer's goods. The growth of the HO stores has paralleled a decline in private retail trade. Foreign trade is controlled by the German Domestic and Foreign Trade (Deutscher Innen- und Aussenhandel - DIA), founded in September 1951.

#### East Germany Economy 1945-1948

Soviet economic policy in East Germany immediately after the war was one of ruthless exploitation. From July 1945 until the end of 1948, reparations, exacted in varying forms,

were the dominating economic factor. The Soviets, acting independently of the Allied Control Commission, sent dismantling teams into the Soviet zone almost with the second echelon of the occupying armies. The teams had wide discretionary powers of selection and removal. Not only factories, but also telephone exchanges, railroad workshops, haulage equipment and university laboratories were dismantled and removed to Russia.

The factories which remained produced strategic goods such as synthetic gasoline and rubber to be delivered to the Russians as reparations. One of the economic control measures instituted by the Soviets was the complete takeover of about 200 of the largest and most important industrial organizations as Soviet Joint Stock Companies (Sovietische Aktiengesellschaften - SAG). The SAG's were gradually returned to the East Germans. By 1954 all were under German control with the exception of the Wismuth AG engaged in uranium mining, which is now a joint Soviet-East German corporation.

In 1948 after the currency reform to halt inflation, Soviet policy put increasing emphasis on the Sovietization of the zone. As in the USSR and the other satellites this policy was conceived in terms of increasing industrialization and collectivization. Practically all the large, and some of the medium-sized enterprises, previously privately owned, were reorganized as state enterprises (Volkseigene Betriebe - VEB). Reparations payments continued, estimated as high as 25 percent of production, but the Soviet aim was to restore and enlarge the East German industrial machine.

#### Two Year Plan, 1949-1950

The two year plan (1949-1950) was the first attempt at large-scale economic planning. It was devoted at least in part to obtaining basic information necessary for the more extensive Five Year Plan to follow. The emphasis of the two year economic program was on capital goods and raw materials, with steel, iron, and soft metals taking the top priority. The Russians increasingly took their reparations payments in finished consumer goods and specialized machinery. The result for the East German consumer was unfavorable--the availability of many consumer goods was no higher than in 1946. However, the industrial production

increased, reaching the plan goal of 85 percent of 1936. In agriculture while many of the large farms had been expropriated and made into state farms, the drive to collectivize medium and small farms was just beginning. Production of grain, potatoes and sugar beets was still below the 1935-1939 average yields.

#### First Five Year Plan, 1951-1955

The principal aims of the First Five Year Plan were to increase collectivization in agriculture and to raise the level of industrial production. In agriculture the effort was directed principally to incorporating the medium and small farmers into cooperatives (Landwirtschaftliche Produktionsgenossenschaften - LPG). Due to the government's program of raising production quotas of independent farmers and propagandizing against them as "exploiters" and "class enemies," the LPG's increased from 1,815 at the beginning of 1953 to 5,070 in June of that year. Many farmers fled to the West rather than enter the LPG's. After the workers' uprising of June 1953 and the proclamation of the "new course" modifying the targets of the plan, the efforts to enforce collectivization became less intense. The proportion of socialized land during the last two years of the plan continued to be about 30 percent of the total agricultural area.

The socialist sector in industry increased from 76 percent in 1950 to 86 percent in 1955. The goal for gross industrial production was officially declared to have been reached with a claimed increase of 90 percent over the 1950 level. The "new course" altered somewhat the operation of the plan for 1953-1954 but there was little or no change in the objectives of the over-all plan. Supplies of food and housing were still substandard when the plan was completed.

#### Second Five Year Plan, 1956-1960

The Second Five Year Plan was announced in March 1956. Its goals were similar to those of the previous plans, although the planned increases were not as large. The original announcement called for a 55 percent rise in gross industrial production and about 22 percent in agricultural production. In October 1957, however, a revision of the plan was announced which reduced the goals for industrial production to 34 percent and revised investment plans for 1958-1960.



It seems probable that the plan revisions were caused by the slowing down in the rate of growth in the economy and by failures to meet planned goals in 1956-1957. Even the degree of recovery which the East German economy achieved after the war has been accompanied by a number of negative factors. Machines and plants are older and in worse condition, the quality of goods produced is poor and below Western standards, and even more serious, the labor force continues to decline. These factors, plus the disastrous policy of collectivization in agriculture, make it unlikely that the East German economy can continue to grow sufficiently to bring the East German people even up to their pre-war standard much less to that of prosperous West Germany.